

BENEFICIARY IDENTIFICATION MECHANISM FOR SOCIAL PROGRAMS

(EC-0195)

EXECUTIVE SUMMARY

Borrower:	Republic of Ecuador	
Requestor:	Ministry of Economic Affairs and Finance	
Executing agency:	Ministry of Social Welfare	
Amount and source:	IDB (OC):	US\$4,500,000
	Local:	US\$ 500,000
	Total:	US\$5,000,000
Financial conditions:	Amortization period:	25 years
	Grace period:	3 years
	Disbursement:	2.5 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars under the Single Currency Facility
Terms:	Execution period	24 months
	Disbursement period	30 months
Objectives:	<p>The objective of the project is to support the Ecuadorian government in establishing a mechanism for individually identifying social program beneficiaries to enable current and future social programs to better target families living in poverty and indigence.</p> <p>A mechanism of this kind will allow other objectives to be accomplished, such as: (i) updating the socioeconomic profile of the poorest families that require government aid; (ii) providing institutions that carry out social programs with indispensable information for programming their actions; (iii) making it possible to perform a multidimensional analysis of poverty that supplements the income factor with considerations of human capital, access to basic services and family structure; and (iv) facilitating interagency coordination to improve the impact of social spending by eliminating</p>	

Benefits: The beneficiary identification mechanism will provide the country with a technical tool based on objective variables and uniform and transparent criteria for selecting the beneficiaries of social spending. The mechanism will be highly useful for planning and carrying out different programs intended to benefit the very poor, and may be used by public or private entities. The mechanism will improve the targeting of government programs that distribute subsidies, vouchers or grants, which have recently become important in the country as a strategy for alleviating the income losses of the very poor and as an alternative to traditional social programs involving supply-based subsidies.

With the social program beneficiary identification mechanism, it will also be possible to achieve greater equity and efficiency in use of the scant resources available for the social sector. Greater equity will be achieved by using transparent instruments for channeling the bulk of public social spending to the neediest families. Greater efficiency will be obtained by using the mechanism to optimize subsidy transfers and target services, freeing up funds that can be redirected into other social actions.

Risks: The country's political and social situation may pose risks for this operation. During the field work stage in particular, certain communities may be reluctant to provide the information required. The promotion and communications component has been designed to mitigate this risk by informing the public about the benefits of the new instrument.

Another risk relates to the traditional weaknesses in execution exhibited by social agencies in Ecuador. To cope with this situation, the project executing unit will receive technical assistance from the National Modernization Council (CONAM), Ecuador's Integrated System of Social Indicators (SIISE) and the Ministry of Economic Affairs and Finance. CONAM participated in the initial stages of designing the mechanism and has a qualified technical team with experience in managing the database for the solidarity voucher mechanism. SIISE has been acting as technical support in all aspects of social sector information.

Special contractual clauses: None

Exceptions to Bank policy: None

I. FRAME OF REFERENCE

- 1.1 The severe economic crisis in Ecuador has led to a serious social crisis, chiefly reflected in poverty levels that grew from 32% in 1995 to 65% at the end of 1999. The percentage of people living in indigence also rose significantly, from 15%-17% in 1995-1998 to 34% by the end of 1999. The unemployment rate in the poorest quintile is above 30%, which is close to double the national rate which was 16.9% in August 1999. As a consequence of the severity of the situation and loss of family income, in the poorest groups there has been a rise in child labor and school absenteeism, less health care, poorer nutrition and a rise in the sale of productive assets (such as land and work tools). These short-term responses can have long-term impacts on the human capital and productive capacity of these groups.
- 1.2 Central government social spending has been low historically in Ecuador compared with the averages in the region, but it has fallen still farther as a result of the crisis. Spending on education and health care dropped from 3.1% and 1% of GDP in 1998 to 2.4% and 0.9% in 1999. The joint budgets of the ministries of education, health, social welfare (without social security), housing and labor accounted for just 4.6% of GDP in 1999, a year in which GDP shrank by close to 7%.
- 1.3 Public sector social spending is both inadequate and poorly targeted. Recent studies on the tie-in between poverty and the coverage of a sample of social programs suggest that there are major shortcomings in the targeting of social spending and that most programs have higher coverage in the cantons with better standards of living than in the poorer ones.
- 1.4 The country does not have a suitable instrument for targeting social spending and programs. Each program has its own criteria and methods for allocating resources. This has often generated duplication and overlapping of similar government actions involving the same population segments, accompanied by the absence of services and programs for other groups – all this in a context of scarce resources for social programs and an increase in poverty and indigence.
- 1.5 In recent years, progress has been made in drawing up a detailed poverty map, based on information from the 1990 population census, corrected against the standard-of-living survey. The map has served as a guide for identifying the cantons and parishes that most urgently need social intervention and for geographically targeting some government programs that offer services for the poor (such as the World Bank's FASBASE program). However, instruments of this kind have many shortcomings when the intent is to reach specific groups affected by the crisis and are totally inadequate when it comes to providing direct subsidies to the poorest families.
- 1.6 Given the situation, it has become indispensable for the country to have a family-centered targeting mechanism that makes it possible to select the individual beneficiaries of social programs based on objective information and uniform

criteria. Aware of this need, Ecuador has been working hard to create a mechanism of this kind. Since 1998, the National Modernization Council (CONAM), with Bank support, has been working to design the instruments and methodology needed to build a social identification matrix. Recently, Ecuador's SIISE [Integrated System of Social Indicators] – now in the Ministry of Social Welfare and CONAM have been joining forces to prepare a joint proposal that will provide the country with an instrument for individual identification of poor families for targeting of the government's social actions, similar to those existing in other countries of the region, such as SISBEN in Colombia or the CAS fiche in Chile.

- 1.7 These initiatives have produced a methodological design for identifying potential beneficiaries on the basis of a set of variables which, according to studies based on the standard-of-living surveys, are better able to discriminate in classifying families by socioeconomic level. Other results include a socioeconomic profile fiche which is necessary to compile information on families, a surveyor's manual, a supervisor's manual, software for data collection and validation, and validation grids.
- 1.8 In June 2000, the Ministry of Social Welfare will carry out a pilot operation to validate the survey form to be used for registering the families in the database. The test will be based on anonymous surveys and the results will not be used to select beneficiaries for any program. The size of the survey will be the minimum necessary to assure statistical validity. (The test will be financed with funds available in the country and is not included in the present technical-cooperation operation.)
- 1.9 On the basis of the above information, on 21 June 2000 the Government of Ecuador requested reimbursable technical cooperation funding from the Bank in the amount of US\$5 million to begin nationwide implementation of the beneficiary identification mechanism as soon as the pilot operation is completed.

II. THE PROGRAM

A. Objectives

- 2.1 The objective of the project is to support the Ecuadorian government in establishing a mechanism for individually identifying social program beneficiaries to enable current and future programs to be better targeted on families living in poverty and indigence.
- 2.2 A mechanism of this kind will allow other objectives to be accomplished, such as: (i) updating the socioeconomic profile of the poorest families so they can be precisely located; (ii) providing institutions that carry out social programs with indispensable information for programming their actions and channeling their resources to the very poor; (iii) making it possible to perform a multidimensional analysis of poverty that supplements the income factor with considerations of human capital, access to basic services and family structure; and (iv) facilitating

interagency coordination to improve the impact of social spending by eliminating duplication and facilitating control of the entities that carry out social programs.

B. Components

- 2.3 This technical-cooperation project will finance the work needed to establish a database of about 1.6 million poverty-stricken families in urban and rural areas, organized by the extent of their needs. The work will be done in two stages and each of them includes four components: (i) administration; (ii) promotion and communications; (iii) data collection; and (iv) follow-up and evaluation.

1. Administration (US\$400,000)

- 2.4 This component will finance the procurement of the technical and computer equipment needed to process the operation and the staff of the unit in charge of directing and monitoring the project, which will have two levels of responsibility: (i) a central operating team composed of seven people – a program manager, an expert in designing and conducting social surveys, an expert in information systems, an expert in mass promotion and communications campaigns, an expert in administration and accounting, a systems assistant and a secretary; and (ii) provincial operating teams, each composed of a publicity and information campaign coordinator and a regional survey supervisor. The terms of reference and professional profiles for each position are available in the project's technical files.

2. Publicity and communications (US\$240,000)

- 2.5 Prior to gathering the information, a communications and information campaign will be held in each locality to ensure that the public is adequately informed and motivated to respond to the surveys, particularly since providing the information will be voluntary. This activity is highly important, considering that the surveys will be conducted in a time of crisis, when the public is reluctant to participate in them unless it has clear and reliable information on the objectives. The pertinent activities will be contracted out to local firms, based on the terms of reference available in the project's technical files.

3. Data collection (US\$3,616,000)

- 2.6 The program will obtain information on about 1.6 million households, 640,000 in urban areas and 960,000 in rural ones. The work will be carried out using different procedures for urban and rural areas, defined on the basis of the country's political-administrative divisions. In urban areas, the information will be obtained through visits to all households in the selected parishes or barrios. In rural areas, information will be gathered in priority parishes by calling families in for interviews. The work will be contracted out to local firms, based on the terms of reference available in the project's technical files.

4. Monitoring and evaluation (US\$90,000)

- 2.7 Monitoring and evaluation is planned for each of the stages in this operation in order to obtain information on management and results so that any necessary adjustments can be made in the systems and procedures used.
- 2.8 Once the project has been executed and evaluated, the country will have a database containing the social profile of all families requiring some type of development assistance. The use of this tool will make it possible to effectively target various projects and actions the objective of which is to deliver this type of assistance, thereby optimizing the use of the resources that the country allocates for this purpose.

III. PROGRAM EXECUTION

A. Executing agency

- 3.1 The Ministry of Social Welfare will be the executing agency, through a management board, which will be the executing unit's highest authority, the institutional structure of which is described below.

1. Program direction

- 3.2 The program will be directed by a five-member management board composed of a representative from the Ministry of Social Welfare, one from the Ministry of Economic Affairs and Finance, one from the National Modernization Council (CONAM), and two representatives appointed by the social sector ministries and institutions. The board will be chaired by the representative from the Ministry of Social Welfare and its functions will be to: (i) review, approve and monitor the specific work plans presented to it by the program's operations and technical level; (ii) review, approve and evaluate the bimonthly progress reports and results and management and progress in applying the data collection instruments; and (iii) review and approve the rules for the use and management of the database of beneficiaries. To perform these tasks, in addition to the technical teams described below, CONAM, the Ministry of Economic Affairs and Finance, and others may be called upon to provide support.

2. Central operations

- 3.3 A technical team will be in charge of setting up and monitoring the program and ensuring its technical quality and continuity. The team will be composed of a program manager in charge of coordinating day-to-day activities, an expert in designing and conducting social surveys, an expert in information systems, an expert in mass promotion and communications campaigns, an expert in administration and accounting, a systems assistant and a secretary. The functions of the team will be to: (i) develop and maintain the instruments and the technology

required for their application; (ii) prepare and apply tools to spark people's interest in the mechanism and train their users; (iii) prepare the bidding documents and specifications for contracting individuals or firms to support the introduction and operation of the mechanism; (iv) supervise all the services contracted for program execution; (v) design national publicity and communications campaigns; (vi) track the program administratively and financially; and (vii) perform other tasks assigned by the program's management board.

3. Regional operations

- 3.4 Provincial supervision and monitoring teams will be established for the data collection stage. The teams will not be permanent and will only operate for the time necessary to gather the information.
- 3.5 The teams will perform the following functions: (i) design and present the local communications and publicity campaigns to the central level for approval; (ii) monitor and supervise the operation on the local level; and (iii) keep the central level permanently informed of progress and the results of their work. Each team will be composed of a publicity and information campaign coordinator and a regional survey supervisor.

B. Program execution

- 3.6 The process of obtaining the information will be different in urban and rural areas. In urban areas, the information will be obtained through visits to all households in parishes or barrios selected using the updated maps provided by the municipalities. In rural areas, the information will be gathered in priority parishes by calling families in for interviews at a pre-identified easily-accessible place (community centers, schools, and similar places). This procedure will be supplemented by a system to verify the data provided by the families through sampling. In the event that errors are found in over 20% of the registration forms, a survey will be taken based on household visits. Errors will be deemed to exist if the socioeconomic level obtained in the verification is higher than the original ranking – in other words if the category changes from 'indigent' to 'poor' or from 'poor' to 'non-poor'.
- 3.7 Local communications and publicity campaigns will be held in urban and rural areas alike. Support will be requested from the main local actors, such as the media, community and barrio organizations, parents' organizations, churches, local authorities, central government programs and other entities that wish to cooperate with the campaign. In addition, with support from these organizations, barrios and localities – particularly in the rural sector – will be identified that appear to be underrepresented or unrepresented. In those cases, targeted campaigns to promote and disseminate information about the mechanism will be designed.

C. Execution timetable

- 3.8 The work will be carried out in two stages as described below.

1. Stage one

- 3.9 This stage will be carried out in six months and will include the preparation of 300,000 fiches, 120,000 from urban parishes and 180,000 from rural ones, which will be inputted into the database. Both types of parishes were prioritized separately based on their higher degree of poverty. The rural surveys will be distributed in 20 provinces and the urban ones in the two largest cities – Guayaquil and Quito. The surveys will be conducted by locally-contracted firms. It is estimated that the urban operation will require 240 person/months for the surveys, 48 person/months for supervision and 48 person/months for field coordination (one for each of the eight regions into which the parishes were grouped). The rural operation requires 60 person/months for the interviews and 30 person/months for supervision. The verification will require 15 person/months for the surveys and 3 person/months for supervision. The project's technical files contain a detailed timetable of activities for stage one of the project, as well as a list of the parishes selected in this stage.
- 3.10 During this stage, management and results will be monitored on an ongoing basis, particularly the publicity and community reaction to the survey, in order to make adjustments to improve the processes. An evaluation will be performed in the final month of this stage and the results will be used to determine the timetable for stage two.

2. Stage two

- 3.11 Based on the plan of action agreed upon during preparation of the investment sector loan, the goal of stage two will be to expand coverage to the entire country, with an estimated total of 1.3 million new surveys over 18 months, with 520,000 being conducted in urban parishes and 780,000 in rural ones. The final timetable will be based on the results and recommendations of the evaluation of stage one. It is estimated that the urban operation will require 1,040 person/months for the survey, 208 person/months for supervision and 208 person/months for field coordination (for the eight regions into which the parishes were grouped). The rural operation will require 220 person/months for the interviews, 130 person/months for supervision. The verification will require 65 person/months for the surveys and 13 person/months for supervision.

D. Follow-up, evaluations and reports

- 3.12 There will be an evaluation of the operation at the end of stage one which will serve to incorporate changes and adjustments and define the timetable for stage two.
- 3.13 In addition to missions for technical monitoring of the project, a midterm review mission will be conducted one year after the operation has been declared eligible to evaluate management of the process and the results obtained in comparison with the targets.

- 3.14 The Ministry of Social Welfare will present annual financial statements and one at the end of the project, in accordance with Bank requirements. The reports will be reviewed by independent auditors selected by the Bank and the Ministry by mutual agreement.
- 3.15 At the end of the project, the Ministry of Social Welfare will prepare a final report on the results, which will be presented to the Bank for approval within 30 days after the operation is completed.

E. Cost and financing

- 3.16 The estimated costs of each of the activities proposed under this technical-cooperation project are shown in the following table:

**Costs and financing to implement the beneficiary identification mechanism
In U.S. dollars**

Category	Unit	Quantity	Unit cost	IDB	Local	Total
1. Administration					400,000	400,000
Management and technical equipment	Gl	Gl	—	—	350,000	350,000
Computer equipment and supplies					50,000	50,000
2. Publicity and communications				240,000		240,000
Stage 1	Gl	Gl	—	45,000	0	45,000
Stage 2	Gl	Gl	—	195,000	0	195,000
3. Data collection				3,616,000		3,616,000
Stage I				678,000		678,000
a. Rural area	Survey	180,000	2.1	378,000	0	378,000
b. Urban area	Survey	120,000	2.5	300,000	0	300,000
Stage II				2,938,000		2,938,000
a. Rural area	Survey	780,000	2.1	1,638,000	0	1,638,000
b. Urban area	Survey	520,000	2.5	1,300,000	0	1,300,000
4. Evaluations	Gl	Gl	—	74,400	15,600	90,000
Contingencies				-	84,400	84,400
SUBTOTAL				3,930,400	500,000	4,430,400
Financial costs				569,600		569,600
Interest				476,562		476,562
Credit Fee				48,734		48,734
Inspection and supervision				44,304		44,304
TOTAL				4,500,000	500,000	5,000,000

Gl= overall sum

F. Procurement of goods and services

- 3.17 Goods and services will be procured in accordance with the Bank's standard procedures and the agreement between it and the Republic of Ecuador.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The social program beneficiary identification mechanism will provide the country with a technical tool based on objective variables and uniform and transparent criteria for selecting the beneficiaries of social spending. The mechanism will be highly useful for planning and carrying out different programs intended to benefit the very poor, and may be used by public or private entities. The mechanism will improve the targeting of government programs that distribute subsidies, vouchers or grants, which have recently become important in the country as a strategy for alleviating the income losses of the very poor and as an alternative to traditional social programs involving supply-based subsidies.
- 4.2 With the social program beneficiary identification mechanism, it will also be possible to achieve greater equity and efficiency in use of the scant resources available for the sector. Greater equity will be achieved by using transparent instruments for channeling the bulk of social public spending to the neediest families. Greater efficiency will be obtained by using the mechanism to eliminate indiscriminate subsidies or services, freeing up funds that can be redirected into other social actions.

B. Risks

- 4.3 The country's political and social situation may pose risks for this operation. During the field work stage in particular, certain communities may be reluctant to provide the information required. The publicity and communications component has been designed to mitigate this risk by informing the public about the benefits of the new instrument.
- 4.4 Another risk is the traditional weaknesses in execution exhibited by social agencies in Ecuador. To cope with this situation, the project executing unit will receive technical assistance from the National Modernization Council (CONAM), SIISE, and the Ministry of Economic Affairs and Finance. CONAM participated in the early stages of designing the instruments for the mechanism and has a qualified technical team with experience in managing the database for the solidarity voucher mechanism. SIISE has been acting as technical support in all aspects of social sector information.

ECUADOR
BENEFICIARY IDENTIFICATION MECHANISM FOR SOCIAL PROGRAMS

ACTIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
l programs that are better poor and indigent families, roving equity; and of resources to the poor, roving efficiency.	<ul style="list-style-type: none"> Impact of social programs by income quintile. Distribution by income quintile of program beneficiaries, compared with total population distribution. Comparative measurement of the volume of resources reaching the non-poor. 	<ul style="list-style-type: none"> Statistics on each individual program: costs and socioeconomic profiles of the beneficiaries. Household survey module that identifies program beneficiaries. 	<ul style="list-style-type: none"> The agencies responsible for the programs work in coordination. Acceptance by local communities. The country's sociopolitical situation permits the program to be executed.
rogram beneficiary n mechanism is being used by public agencies and to private ones.	<ul style="list-style-type: none"> The targeting mechanism is formally adopted by the ministries responsible for social services. Institutionalization of the management and application of the mechanism. 	<ul style="list-style-type: none"> Official government document adopting the mechanism for guiding programs. Reorientation of programming by the ministries responsible for social services to improve targeting. 	<ul style="list-style-type: none"> The actions of the ministries responsible for social services are coordinated among themselves with the government's economic authorities.
ation and individual nomic profiles of the very region, canton, parish and	<ul style="list-style-type: none"> Around 1.6 million fiches inputted and verified for families classified by the extent of their needs, available in the database. 	<ul style="list-style-type: none"> Evaluation performed one month before the end of stage one. Evaluation performed by the midterm review mission. Final program evaluation. 	<ul style="list-style-type: none"> The instruments for data collection and systemization are adjusted and undergo final testing. Community acceptance. Creation and functioning of the central technical team and the regional teams responsible for supervision and monitoring.
tutions that carry out social s use the mechanism for and evaluating their s.	<ul style="list-style-type: none"> Begin the use of targeting in at least two national programs (such as school grants and solidarity vouchers). 	<ul style="list-style-type: none"> Evaluation performed by the midterm review mission. Final program evaluation. Quarterly reports by the program's management board. 	<ul style="list-style-type: none"> The central technical team has developed and tested mechanisms for access to information and provided support for the institutions in using them.
oring and follow-up system y up, maintaining and using anism in future.	<ul style="list-style-type: none"> Percentages of compliance in applying the system by province. Volume of social program resources that is targeted, as a percentage of total social spending. 	<ul style="list-style-type: none"> Evaluation performed one month before the end of stage one. Evaluation performed by the midterm review mission. Semiannual reports by the central technical team to the management board on use of the system in the country. 	<ul style="list-style-type: none"> Software for tracking is available during application. Consolidation of social program spending by the technical team. The central technical unit has information on the regions and national programs.

ECUADOR
Beneficiary Identification Mechanism for Social Programs (EC-0195)
Procurement Schedule

Category	Cost US\$	Source:		Method of Procurement	Estimated Date
		IDB	Local		
CONSULTING SERVICES					
Administration					
Manager (IC)	48,000		100	DC	2 nd half of 2000
3 local coordinators (IC)	108,000		100	DC	2 nd half of 2000
Regional coordinators – number t.b.d. (IC)	150,800		100	DC	2 nd half of 2000
1 administrator (IC)	19,200		100	DC	2 nd half of 2000
2 assistants (IC)	24,000		100	DC	2 nd half of 2000
Publicity and Communications					
12 consulting contracts for stage 1 (CF) (average cost: US\$3,750)	45,000	100		P	2 nd half of 2000
20 consulting contracts for stage 2 (CF) (average cost: US\$9,750)	195,000	100		P	1 st half of 2001
Data collection					
12 consulting contracts for stage 1 (CF) (All below US\$200,000)	678,000	100		LCB	2 nd half of 2000
20 consulting contracts for stage 2 (CF) (All below US\$200,000)	2,938,000	100		LCB	1 st half of 2001
Evaluation					
1 consulting contract (CF)	90,000	83	17	LCB	2 nd half of 2000
GOODS					
Computer equipment	50,000		100	LCB	2 nd half of 2000

CF = consulting firm; DC = direct contracting; IC = individual consultant; LCB = Local competitive bidding;
P = prequalification

Notes: Since the contracts for consulting firms will be for amounts below US\$200,000, international competitive bidding will not be required. The goods to be procured consist of computer hardware and software for a total of US\$50,000 to be financed with local resources.

PROPOSED RESOLUTION

ECUADOR. TECHNICAL COOPERATION LOAN ____/OC-EC TO THE
REPUBLIC OF ECUADOR
System of Identification of Beneficiaries of Social Programs

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the Republic of Ecuador, and to adopt such measures as may be pertinent for the execution of the Plan of Operations of a Technical Cooperation Loan, the purpose of which is to develop a System of Identification of Beneficiaries of Social Programs.
2. That up to the sum of US\$4,500,000, is authorized for the purposes of this resolution, chargeable to the resources of the Single Currency Facility of the Ordinary Capital of the Bank.
3. That the above-mentioned sum shall be provided on a reimbursable basis.